

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
)
MORGAN KEEGAN & COMPANY) ADMINISTRATIVE ORDER
) NO. CO-2005-0032
)
)
RESPONDENT)

CONSENT ORDER

The Alabama Securities Commission ("COMMISSION"), having the power to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities into, within or from the State of Alabama, has determined as follows:

RESPONDENT

1. Respondent Morgan Keegan & Company ("MORGAN KEEGAN") has been registered as a dealer in the State of Alabama, since August 18, 1982, with a business address of 50 Front Street, Morgan Keegan Tower, Memphis, Tennessee 38103-9980, with agents' offices throughout the State of Alabama, and in particular located at 201 Monroe Street, Suite 1900, Montgomery, Alabama 36104. In March 2003, MORGAN KEEGAN was acquired by Regions Financial Corp. The activities addressed in this Consent Order all occurred prior to this merger.

STATEMENT OF FACTS

2. GEORGE EARL BAGWELL ("GEORGE BAGWELL"), was registered in Alabama as an Agent of MORGAN KEEGAN from August 18, 1982 to May 2003, with a business address of 201 Monroe Street, Suite 1900, Montgomery, AL 36104. From November 6,

1986, to May 2003, GEORGE BAGWELL served as a supervisor of the Montgomery, Alabama branch office of MORGAN KEEGAN.

3. WOODLEY HANNON BAGWELL ("WOODLEY BAGWELL"), has been registered in Alabama as an Agent of MORGAN KEEGAN since August 18, 1982, with a current business address of 201 Monroe Street, Suite 1900, Montgomery, AL 36104. From November 6, 1986, to May 2003, WOODLEY BAGWELL served as a supervisor of the Montgomery, Alabama branch office of MORGAN KEEGAN.

4. JOHN ALLEN JONES IV ("JONES") was registered in Alabama as an Agent of MORGAN KEEGAN from January 1, 1996 to August 26, 1999, with a business address of 201 Monroe Street, Suite 1900, Montgomery, AL 36104.

5. HAMPTON FORREST HOOK ("HOOK"), was registered in Alabama as an Agent of MORGAN KEEGAN from, December 20, 1993, to June 25, 2002, with a business address of 201 Monroe Street, Suite 1900, Montgomery, AL 36104.

6. ROBERT SHAWN ELLISON ("ELLISON") was registered in Alabama as an Agent MORGAN KEEGAN from October 27, 1997, to August 15, 2001. ELLISON's last known address is 6325 Chappelle Lane, Montgomery, AL 36117.

7. From February 1996, to October 1997, JONES executed, or caused the execution of, securities transactions in the MORGAN KEEGAN accounts of an Alabama resident, causing the account value to be turned over **13.32** times, thereby making the securities transactions excessive, unsuitable and inappropriate for the account.

8. From June 1997, to October 1997, JONES executed, or caused the execution of, securities transactions in the MORGAN KEEGAN account of an Alabama resident, which were not authorized by the customer, thereby causing an approximate net loss of \$30,000.00 to the account.

9. From February 1997, to September 1998, JONES executed, or caused the execution of, 181 unauthorized securities transactions in the MORGAN KEEGAN account of an Alabama resident, thereby causing a net loss of \$33,000.00 to the account.

10. From March 1998, to June 1999, JONES executed, or caused the execution of, securities transactions in the MORGAN KEEGAN account of an Alabama resident, causing the account value to be turned over **4.75** times in 1999 alone. The trades were not authorized by the customer and caused the account an approximate net loss of \$19,000.00.

11. From January 1998, to December 1998 HOOK executed, or caused the execution of, securities transactions in the MORGAN KEEGAN account of an Alabama resident, causing the account value to be turned over **8.99** times. HOOK conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable, and inappropriate for the IRA account of his client.

12. From January 1999, to December 1999 HOOK executed, or caused the execution of, securities transactions in the MORGAN KEEGAN IRA account of an Alabama resident, causing the account value to be turned over **9.17** times. HOOK conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable, and inappropriate for the IRA account of his client.

13. From August 1998, to February 1999, HOOK executed, or caused the execution of, securities transactions in the MORGAN KEEGAN IRA account of an Alabama resident, causing the account value to be turned over **11.21** times. HOOK conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable, and inappropriate for the IRA account of his client.

14. From January 1999, to December 1999 HOOK executed, or caused the execution of, securities transactions in the MORGAN KEEGAN IRA account of an Alabama resident, causing the account value to be turned over **6.27** times. HOOK

conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable, and inappropriate for the IRA account of his client.

15. From March 1999, to December 1999, HOOK executed, or caused the execution of, securities transactions in the MORGAN KEEGAN IRA account of an Alabama resident, causing the account value to be turned over **10.26** times. HOOK conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable, and inappropriate for the IRA account of the client

16. From January 1999, to December 1999, HOOK executed, or caused the execution of, securities transactions in the MORGAN KEEGAN IRA account of an Alabama resident, causing the account value to be turned over **5.47** times. HOOK conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable and inappropriate for the IRA account of the client.

17. From January 1999, to December 1999, HOOK executed, or caused the execution of, securities transactions in the MORGAN KEEGAN IRA account of an Alabama resident, causing the account value to be turned over **6.09** times. HOOK conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable and inappropriate for the IRA account of the client.

18. On July 20, 1999, HOOK wrote a personal check (#514) in the amount of \$4,200.00, payable to MORGAN KEEGAN customer for the purpose of reimbursing the customer for losses incurred in his MORGAN KEEGAN securities account. HOOK agreed to give the customer the check to invest in an Initial Public Offering, which HOOK represented as having the potential to generate a significant profit for the customer.

19. On November 15, 1999, HOOK wrote a personal check (#519) in the amount of \$1,900.00, payable to a MORGAN KEEGAN customer, for the purpose of reimbursing the customer for losses incurred in his MORGAN KEEGAN securities account. HOOK

agreed to give the customer the check to invest in an Initial Public Offering, which HOOK represented as having the potential to generate a significant profit for the customer.

20. From August 1998, to December 2000, HOOK issued, or caused the issuance of, confirmation forms falsely designated as "Unsolicited," for trades that HOOK conducted in the MORGAN KEEGAN account of the client. The confirmation forms falsely represented that the client directed the trades.

21. From August 1998, to December 2000, HOOK issued, or caused the issuance of, confirmation forms falsely designated as "Unsolicited," for trades that HOOK conducted in the MORGAN KEEGAN account of an Alabama resident. The confirmation forms falsely represented that the client directed the trades.

22. From August 1998, to March 1999, HOOK issued, or caused the issuance of, confirmation forms falsely designated as "Unsolicited," for trades that HOOK conducted in the MORGAN KEEGAN IRA account of an Alabama resident. The confirmation forms falsely represented that the client directed the trades.

23. From August 1998 to May 1999, HOOK issued, or caused the issuance of, confirmation forms falsely designated as "Unsolicited," for trades that HOOK conducted in the MORGAN KEEGAN IRA account of an Alabama resident. The confirmation forms falsely represented that the client directed the trades.

24. From March 1999 to January 2001, HOOK issued, or caused the issuance of, confirmation forms falsely designated as "Unsolicited," for trades that HOOK conducted in the MORGAN KEEGAN account of an Alabama resident. The confirmation forms falsely represented that the client directed the trades.

25. From August 1998 to May 1999, HOOK issued, or caused the issuance of, confirmation forms falsely designated as "Unsolicited," for trades that HOOK conducted

in the MORGAN KEEGAN account of an Alabama resident. The confirmation forms falsely represented that the client directed the trades.

26. From August 1998 to May 1999, HOOK issued, or caused the issuance of, confirmation forms falsely designated as "Unsolicited," for trades that HOOK conducted in the MORGAN KEEGAN account of an Alabama resident. The confirmation forms falsely represented that the client directed the trades.

27. From August 1998 to May 1999, HOOK issued, or caused the issuance of, confirmation forms falsely designated as "Unsolicited," for trades that HOOK conducted in the MORGAN KEEGAN account of an Alabama resident. The confirmation forms falsely represented that the client directed the trades.

28. From March 1999 to December 2000, HOOK issued, or caused the issuance of, confirmation forms falsely designated as "Unsolicited," for trades HOOK conducted in the MORGAN KEEGAN account of an Alabama resident. The confirmation forms falsely represented that the clients directed the trades.

29. From July 1999 to December 1999, ELLISON executed, or caused the execution of, securities transactions in the MORGAN KEEGAN account of an Alabama resident, causing the account value to be turned over **6.57** times. ELLISON conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable, and inappropriate for the IRA account of the client.

30. From July 1999 to December 1999, ELLISON executed, or caused the execution of, securities transactions in the MORGAN KEEGAN IRA account of an Alabama resident, causing the account value to be turned over **6.74** times. ELLISON conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable, and inappropriate for the IRA account of the client.

31. From October 1999 to December 1999, ELLISON executed, or caused the execution of, securities transactions in the MORGAN KEEGAN account of an Alabama resident, causing the account value to be turned over **5.82** times. ELLISON conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable, and inappropriate for the account of the client.

32. From August 1999 to December 1999, ELLISON executed, or caused the execution of, securities transactions in the MORGAN KEEGAN account of an Alabama resident, causing the account value to be turned over **6.10** times. ELLISON conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable, and inappropriate for the account of the client.

33. From August 1999 to December 1999, ELLISON executed, or caused the execution of, securities transactions in the MORGAN KEEGAN account of an Alabama resident, causing the account value to be turned over **8.02** times. The REPSONDENT conducted the trades with such size and frequency as to make the securities transactions excessive, unsuitable, and inappropriate for the account of the client.

CONCLUSIONS OF LAW

34. That by virtue of the activity set forth in paragraphs 7 through 10 above, JONES has engaged in a course of business, in connection with the sale of securities, which operated, as a deceit upon his clients set forth in said paragraphs, in violation of § 8-6-17(a)(3), Code of Alabama, 1975.

35. That by virtue of the activity set forth in paragraphs 11 through 19 above, HOOK has engaged in a course of business, in connection with the sale of securities, which operated, as a deceit upon his clients set forth in said paragraphs, in violation of § 8-6-17(a)(3), Code of Alabama, 1975.

36. That by virtue of the activity set forth in paragraph 20 through 28 above, HOOK engaged in dishonest or unethical practices in the securities business in regard to his clients set forth in said paragraphs, in violation of § 8-6-3(j)(7) Code of Alabama, 1975.

37. That by virtue of the activity set forth in paragraphs 29 through 33 above, ELLISON has engaged in a course of business, in connection with the sale of securities, which operated, as a deceit upon his clients set forth in said paragraphs, in violation of § 8-6-17(a)(3), Code of Alabama, 1975.

38. That pursuant to Section 8-6-3(j)(7), Code of Alabama 1975, the Commission may suspend or revoke any registration, or censor or bar any applicant or registrant from employment with a securities dealer if the Commission finds that the Order is in the public interest, and that the registrant has engaged in dishonest or unethical practices in the securities business.

39. That the activity discussed in paragraphs 10 through 37 above, constitutes a failure on the part of GEORGE BAGWELL and WOODLEY BAGWELL to exercise reasonable supervision over the activities of MORGAN KEEGAN Agents, HOOK, JONES and ELLISON.

40. That pursuant to Chapter 830-X-3-.13, Alabama Securities Commission Administrative Code, every dealer and officers, directors and partners thereof, shall exercise diligent supervision over all the securities activities of its associated persons.

41. That pursuant to Section 8-6-3(j)(2), Code of Alabama 1975, the Commission may suspend or revoke any registration, or censor or bar any registrant from employment with a securities dealer if the Commission finds that the Order is in the public interest, and that the registrant has willfully violated or willfully failed to comply with any rule under the Alabama Securities Act.

42. That the activity discussed in paragraphs 7 through 41 above, constitutes a failure on the part of MORGAN KEEGAN to exercise reasonable supervision over the activities of its Agents, GEORGE BAGWELL, WOODLEY BAGWELL, HOOK, JONES and ELLISON.

43. That pursuant to Chapter 830-X-3-13, Alabama Securities Commission Administrative Code, every dealer and officers, directors and partners thereof, shall exercise diligent supervision over all the securities activities of its associated persons.

44. That pursuant to Section 8-6-3(j)(10), Code of Alabama 1975, the Commission may suspend or revoke any registration, or censor or bar any applicant or registrant from employment with a securities dealer if the Commission finds that the Order is in the public interest, and that, in the case of a dealer, has failed to reasonably supervise its agents.

WHEREAS, on the basis of the Findings of Fact and Conclusions of Law by the Commission, MORGAN KEEGAN herein consents to the entry of this Order for the sole purpose of settling this matter, prior to any hearing and without admitting or denying any of the Findings of Fact or Conclusions of Law. MORGAN KEEGAN understands that the Commission has relied upon information provided by MORGAN KEEGAN in reaching its Findings of Facts and Conclusions of Law, and

WHEREAS, MORGAN KEEGAN has voluntarily waived all rights to a hearing upon entry of this Order and has consented to the entry of this Order, and

WHEREAS, the COMMISSION finds this Order necessary and appropriate in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act, and

WHEREAS, the COMMISSION and MORGAN KEEGAN are desirous of settling this matter as hereafter set forth and agree to the entry of this Order,

ACCORDINGLY, IT IS HEREBY ORDERED:

1. MORGAN KEEGAN shall ensure that its officers, directors, and partners thereof exercise diligent supervision over all the securities activities of its associated persons.
2. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, Respondent MORGAN KEEGAN shall pay the State of Alabama an administrative assessment in the sum of \$30,000.00, said amount is to be tendered in certified funds contemporaneous with the entry of this Order.
3. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, MORGAN KEEGAN shall pay the COMMISSION, as partial reimbursement for the COMMISSION'S cost in investigating this matter, the sum of \$70,000.00 said amount is to be tendered in certified funds contemporaneous with the entry of this Order.
4. As part of its responsibility to provide such supervision MORGAN KEEGAN shall:
 - A. Ensure that all complaints concerning trading activities, whether written or verbal, are logged and recorded for in a complaint book for supervisory reference. Copies of all written complaints, along with all memoranda and/or correspondence generated as a result of any complaint, shall be maintained in the appropriate compliant file located at the respective branch, as well as the Office of Supervisory Jurisdiction, regardless of the status of the complaint.
 - B. In addition to all necessary and required training under the rules of the NASD and the State of Alabama, MORGAN KEEGAN is required and shall provide evidence of the thorough training of all office staff including ethics training. A log of all such training shall be maintained, including, but not limited to, subject matter outlining handouts, syllabi, and a list of attendees and speakers. A supervisory representative from the

MORGAN KEEGAN Compliance Department must be present for these training events or verify their occurrence. A copy of said training is to be sent to the Alabama Securities Commission annually for the next two (2) years.

C. Formalize procedures to monitor client accounts by instituting a verification procedure that will document accurate and current account information including the confirmation of sales. A annual report of these procedures shall be generated and provided to the Commission for a period of three years subsequent to the entry of this Consent Order

AGREED AND CONSENTED to on this date indicated:

RESPONDENT
MORGAN KEEGAN & COMPANY

By: James T. Ritt
Date: 10-5-05

APPROVED AND ORDERED this 8th day of November, 2005

ALABAMA SECURITIES COMMISSION
770 Washington Avenue, Suite 570
Montgomery, AL 36130-4700
(334) 242-2984
BY:


JOSEPH P. BORG
Director

